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STATEMENT TO THE LEGISLATURE

BY

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TREASURER OF ONTARIO AND MINISTER OF ECONOMICS

ON

MID-YEAR SPENDING ADJUSTMENT PLAN

OCTOBER 2, 1991

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Mr Speaker, our government has a commitment with the people of Ontario to manage the province's affairs openly and directly. We have begun to involve Ontarians in finding solutions to a wide range of challenges that we face.

It is with this commitment to openness and dialogue that I am informing members today of adjustments we are making to our spending plans. These mid-year adjustments are a common practice of business and governments. They are being made now to manage the expenditure pressures which we are facing as a result of these extremely difficult economic times.

As members know, the recession has had a major economic impact on Ontario and placed enormous pressures on government spending. In particular, our commitment to social assistance has become more costly to sustain. Today, almost one million Ontarians rely on social assistance - many of them for the first time in their lives.

Expenditure management has been made even more difficult by the federal government's capping of transfer payments, which resulted in a shortfall of \$1.6 billion this year.

Mid-way through the year urgent pressures and increased statutory obligations have made it necessary to review and adjust our spending in order to meet our budgetary targets and foster economic recovery. These pressures include:

- . \$240 million in additional spending for social assistance;
- . \$53 million in extra costs for fire fighting in Northern Ontario;
- . \$215 million to cover the increased cost of pensions for Ontario teachers.

These costs are a legal obligation for the province;

- . \$35 million towards a new initiative to fund farm assistance, as I announced yesterday; and
- . \$57 million in additional funding to support a variety of other pressures including dealing with the Human Rights Commission backlog and the government's Older Worker Adjustment Program.

When we presented the budget earlier this year the government made a commitment to actively fight the recession and to protect people from its effects. We are committed to maintaining health services, education and social programs.

Mr. Speaker, with the measures I am announcing, we will stick to our budget plan, maintain our anti-recessionary measures, meet our spending targets, encourage economic renewal and free up funds to manage the pressures that I have identified.

To do this, we are redirecting approximately \$600 million this year. This represents an adjustment of about 1 per cent of our total budget. All government ministries are participating in this process.

We are reallocating money from the following areas:

- A \$100 million reduction in operating budgets for supplies and equipment, consulting services, travel, advertising and communications.

This is an immediate and permanent reduction averaging 5 per cent in ministry budgets this year. It will be increased to 10 per cent for 1992-93 and will result in an estimated \$300 million cut in spending over the next 18 months.

- \$40 million in savings achieved by ministries managing and absorbing a portion of their current salary budgets. This year, the average salary settlement was 5.8 per cent. We have given ministries a 5 per cent increase in their salary budgets with the understanding that the remaining 0.8 per cent will be managed within the ministries themselves.
- \$460 million in redirected spending based on a range of savings opportunities. These savings include:
 - \$50 million owing primarily to local school board delays in implementing their junior kindergarten program;
 - \$85 million as a result of the later start up of the Wage Protection Fund due to a delay in legislative approval;
 - \$35 million saving on public debt interest payments as a result of good management of our borrowing program;

\$50 million as a result of delay in passing legislation on proportional value pay equity. We remain committed to the pay equity initiative. I want to assure members that the money for this will be provided once legislation is passed.

This \$460 million is available for a number of reasons. As noted, some new programs have not proceeded as quickly as anticipated due to delays either in government or among transfer payment partners. In some cases, legislation has not yet been passed.

I can assure members that these adjustments will be implemented without sacrificing urgently needed programs and services. In particular, I want to note that we will be maintaining public hospital system support levels for 1991-92 as previously announced.

These measures will enable us to keep our budget expenditures at \$52.8 billion and will help us further our goal of encouraging economic renewal in this province. We continue to be committed to a deficit target of \$9.7 billion. Full details of the revised budget plan will be provided in the **Second Quarter Ontario Finances**.

Mr. Speaker, these actions are also consistent with the commitment which I made in the Budget - to establish an open and active approach to expenditure management. Our goal is to ensure quality service delivery and greater efficiency in the public sector. To move in these directions, we have initiated two strategies.

The first is to seek greater involvement of our employees, their bargaining agents, transfer payment employers and their staff and unions in addressing the issues facing the government. The second strategy involves rigorous and comprehensive policy and program expenditure review as part of the preparation for the next budget.

The experience, cooperation and participation of our employees and transfer agencies is needed to effectively address the fiscal and program challenges that we face.

In recent weeks we have been meeting with public sector unions and employers to share with them our concerns, and to impress upon them the importance of negotiating collective agreements which are affordable and fair to employees, employers and taxpayers.

My colleague, the Chair of Management Board, will announce today the government's directions on introducing greater organizational efficiency as well as our policy on wage increases for elected officials, political staff and senior management executives within the public service.

Mr. Speaker, there must be change in how this government operates, what it does and how it spends tax dollars. That is why the newly created Treasury Board, which we announced in the budget, has begun to work with all ministries to undertake an extensive program review. All major programs and expenditures are subject to review. This activity will become an integral part of the government's on-going financial management and budget planning.

Through the reviews we want to ensure that spending is in line with the government's fiscal framework and consistent with our priorities of rebuilding the economy while maintaining programs which promote social justice. We are determined to realize cost savings which can be directed to achieving government priorities. And we want to identify ways of improving programs and services for the benefit of Ontarians.

Initially these reviews will concentrate on programs which are experiencing rapid rates of growth such as the Ontario Drug Benefit Program, government funding for hospitals, commercial health labs and other insured health benefit programs. We firmly believe that if we are going to save medicare, we must begin by controlling its cost.

In addition, we will be reviewing expenditures for consulting and professional services as well as government communications and advertising.

Ministries are being encouraged to involve their partners, clients and employees in their reviews. Closed door management is no longer acceptable. We will actively encourage input and co-operation to make the best decisions.

Wherever savings can be found, they will be made. And where the need is great, or becomes greater still, we will continue to tailor and redirect our spending, as necessary.

Mr. Speaker, let me reiterate, we will continue to manage our finances while providing the important services needed and expected by our residents. We will continue with the anti-recession program announced in this year's budget.

We must face the reality of these harsh economic times. These latest measures are intended to meet the financial pressures for this fiscal year. However, I can assure you, we will take further action if and when it is needed to meet our fiscal objectives.

We have pledged to take the lead and work in cooperation with labour, business, communities and other governments in achieving economic renewal. These measures will enable us to continue the anti-recession strategy of our budget, support greater equity and fairness and set the basis for a vibrant economic renewal which brings jobs, training opportunities and investment to Ontario.

Thank-you, Mr. Speaker.

- 30 -

